



Director of
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ZAIRE: Economic Morass

Zaire is facing its fifth consecutive year of economic contraction and worsening foreign debt problems despite high copper and cobalt prices. Efforts by Western creditors and the International Monetary Fund have not yet led President Mobutu's government to change its slipshod financial practices or reduce graft. Copper and cobalt production will likely decline this year because of skilled manpower shortages, equipment breakdowns, and transportation delays. [REDACTED]

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Public corruption and the inability of the Finance Ministry and the Zairian legislature to produce a budget acceptable to the IMF are major obstacles to an IMF standby credit. Reluctant to cut spending, legislators have been trying to uncover new sources of revenue. At best, the budget portends heavy domestic borrowing, which will produce inflation equal to or greater than last year's 100 percent rate. If the IMF deal is stalled, hardships and popular dissatisfaction with the Mobutu regime would be intensified. [REDACTED]

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Although Zaire has made substantial progress since 1975 in reducing the trade deficit, the impact of many measures has been watered down by the lack of political will to carry through. Mobutu's power continues to rest to a large extent on maintaining personal control over substantial funds--perhaps \$100 million a year--to buy off potential political rivals. He also turns a blind eye to subversion of reforms that would endanger the high life style of key subordinates. In these circumstances, a possible new IMF standby agreement entailing tighter Zairian economic policies probably could not be expected to yield reform on the scale necessary to turn the economy around. [REDACTED]

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DJIBOUTI: Dissident Raid

The attack last week by Afar dissidents on a Djiboutian military camp could highlight continuing tension between the country's two major ethnic groups. The attack, in which two ethnic Somali Issas soldiers were killed, may be a reaction by Afar radicals to the recent government announcement of the formation of a national political party. Radical Afar youth, who have received support from Ethiopia, probably see the party as an attempt to institutionalize the conservative regime of President Gouled, an Issa. Despite Gouled's recent efforts to introduce political institutions and strengthen the government's presence in the hinterlands, he probably will be able to do little more than maintain an uneasy balance between the competing interests of the Afars and Issas as well as between neighboring Ethiopia and Somalia, both of which have designs on the country. [REDACTED]

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CENTO: Pakistan, Iran Withdrawing

The announcements yesterday that Pakistan and Iran will withdraw from the Central Treaty Organization probably mean the end of this long-moribund defense alliance. Only Turkey and the UK will remain as full members. Pressure from Iran before the fall of the Shah probably was the main factor keeping Pakistan in CENTO in recent years, and Tehran's decision to leave the organization presumably tilted the balance in Islamabad against continued membership. Pakistan had earlier been considering withdrawal to signal displeasure with US policies toward Pakistan, to facilitate closer ties with the nonaligned movement, and perhaps to appease the USSR. The decision reflects a longstanding belief in Pakistan that membership was of little benefit and that neither the US nor China--which has urged Pakistan to remain in CENTO--would react strongly. [REDACTED]

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